

EXHIBIT D

BLANK ROME **LLP**
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March 16, 2004

BY FEDERAL EXPRESS AND FACSIMILE (312) 853-7036

Shalom L. Kohn, Esquire
Sidley Austin Brown & Wood LLP
Bank One Plaza, 10 South Dearborn
Chicago, IL 60603

Re: Allegiance Telecom, Inc., et al., Bankr. Case No. 03-13057 (RDD)

Dear Shelly:

Reference is made to that certain email request of KMC Telecom, XI, LLC (including affiliates as appropriate, "KMC") for production of documents dated March 11, 2004. Enclosed is detailed financial information that evidences the ability of Level 3 Communications, LLC ("Level 3") to adequately assure future performance of that certain Primary Rate Interface Services Agreement between KMC and Allegiance Telecom Company Worldwide ("Allegiance") dated as of February 11, 2002 (as amended, the "PRI Agreement"), upon its assumption and assignment to Level 3.

KMC has also requested information relating to modern business downturn in connection with the recently received downturn notices from America Online, Inc. ("AOL"). Given that downturn rights have been triggered presently, Level 3 believes that it is appropriate to share downturn information with KMC at this time. These materials, however, are strictly confidential, must be governed by the enclosed proposed Non-Disclosure Agreement ("NDA"), and shall be deemed shared with KMC in the context of ongoing settlement discussions between Level 3 and KMC, which are governed by Rule 408 of the Federal Rules of Evidence. Upon signing the NDA, Level 3 will deliver to KMC:

1. a copy of the text of an e-mail from AOL dated January 15, 2004, advising Level 3 of a planned reduction in AOL's use and consumption of dial-up access ports;
2. a copy of the text of a follow up e-mail from AOL dated February 23, 2004, explaining the ongoing process of selection of ports to be terminated; and

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3. a copy of the text of the letter dated March 1, 2004 officially notifying Level 3 of the downturn respecting the Allegiance (and the KMC) ports and services (the exhibits to this letter, which will not be enclosed, correspond to the port downturn schedule that was provided to KMC last week).

Each of the foregoing will be redacted to eliminate references to matters that are unrelated to the downturn of the Allegiance/KMC ports and services.


In addition, KMC has requested information relating to the potential future triggering of certain provisions of the PRI Agreement, including rights relating to performance warranties and the market pricing provisions of the PRI Agreement. Even if Level 3 had information germane to these issues, the requested information is not relevant to the March 25 hearing and to any issues relating to adequate assurance of future performance.

When and if provisions of the contract relating to market pricing, performance warranties, etc. are triggered after assumption and assignment to Level 3, KMC will be provided with all of the notices, information and materials required by the PRI Agreement.

KMC likewise has requested Level 3's migration plan for Allegiance ports. This too is irrelevant to the assumption and assignment of the PRI Agreement and is confidential to Level 3.

We remain open to discussions with KMC if your client so desires.

Very truly yours,



Michael B. Schaedle

MBS:plj
Enclosure

cc: John Ryan, Esquire
Thomas E. Biron, Esquire
Edward J. Lobello, Esquire
Harris N. Cogan, Esquire

NON-DISCLOSURE AGREEMENT

In connection with the Chapter 11 cases of Allegiance Telecom, Inc. and certain of its direct and indirect subsidiaries, as filed in the United States Bankruptcy Court for the Southern District of New York, captioned as *In re Allegiance Telecom, Inc., et al.*, Case No. 03-13057 (RDD) under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101, *et seq.*, (the "*Bankruptcy Case*"), this Agreement is made and entered into this ____ day of March, 2004, by and between Level 3 Communications, LLC, a Delaware limited liability company (each referred to herein as a "*Party*" and collectively as the "*Parties*").

1. **Disclosure.** The Parties or their respective Affiliates intend to engage in discussions concerning a potential transaction, certain litigation and compromises thereof and may in the future engage in related discussions (each a "*Proposed Transaction*"). In connection therewith, the Parties or their respective Affiliates and advisors may disclose to the other Party or its advisors technical, financial and/or other information, material, or data which is written, oral or in any other form, electronic or otherwise (collectively, "*Information*") which is considered confidential and proprietary. An "*Affiliate*" shall mean any entity which controls, which is controlled by, which is under common control, or is otherwise materially related with or to a Party.

2. **Confidential Information.** "*Confidential Information*" means any Information owned or disclosed by or on behalf of a Party or any of its Affiliates (the "*Disclosing Party*") (a) that is marked as confidential, proprietary, or with a similar legend; (b) that is otherwise confirmed to be confidential or proprietary; or (c) that the Party or its Affiliate or advisors receiving the Information (the "*Receiving Party*") should reasonably believe to be confidential based upon its content, including, without limitation, any materials, trade secrets, know-how, formulas, processes, algorithms, ideas, strategies, inventions, data, network configurations, system architecture, designs, flow charts, drawings, proprietary information, business and marketing plans, financial and operational information, and any other non-public information, material or data relating to the past, current and/or future business and operations of the Disclosing Party. Confidential Information shall include any analyses, compilations, studies, summaries, extracts or other documentation prepared by the Receiving Party based on Confidential Information (collectively, "*Studies*").

3. **Public Information.** Notwithstanding any other provision of this Agreement, Information shall not be, or shall cease to be, Confidential Information hereunder: (a) if such Information is known to the Receiving Party, without restriction, prior to disclosure thereof by the Disclosing Party, as demonstrated by written records in existence at the time of disclosure; (b) after such Information is published or becomes available to others, without restriction and without breach of this Agreement by the Receiving Party; (c) after such Information becomes available to the Receiving Party from others who are not in breach of any obligation to hold such Information in confidence (to the best of the Receiving Party's knowledge, after reasonable inquiry); or (d) if such Information is developed by the Receiving Party independent of any disclosure of such Information by the Disclosing Party and without any use of the Confidential Information of the Disclosing Party, as demonstrated by written records created at the time of such independent development.

4. **Non-Disclosure Obligation.** Unless otherwise agreed to in writing by the Disclosing Party, the Receiving Party agrees (a) not to disclose, or permit its Affiliates to disclose, Confidential Information to any third parties (including, without limitation, to Allegiance Telecom, Inc. or any of the debtors in the Bankruptcy Case, or their representatives or advisors); (b) to use the same degree of care and diligence to protect Confidential Information from disclosure to others as the Receiving Party employs or should reasonably employ to so protect its own information of like confidence (but in no event less than reasonable care); (c) not to use, reproduce or copy the Confidential Information, in whole or in part, except as necessary for the evaluation or conduct of the Proposed Transaction; and (d) to immediately notify the Disclosing Party upon discovery of any loss or unauthorized disclosure of the Confidential Information by the Receiving Party. Notwithstanding the foregoing, the Receiving Party may disclose the Confidential Information to such of the Receiving Party's Affiliates or the employees, consultants, legal and tax advisers, and agents of the Receiving Party or its Affiliates (each a "Receiving Party Representative") which the Receiving Party reasonably and in good faith believes are needed to be involved in the evaluation or performance of the Proposed Transaction, provided such Receiving Party Representative is informed of this Agreement and agrees to be bound by the terms hereof, and the Receiving Party uses best efforts to cause the Receiving Party Representative to observe the terms of this Agreement. The Receiving Party agrees that a breach of this Agreement by a Receiving Party Representative shall constitute a breach of this Agreement by the Receiving Party. In the event that the Receiving Party is required by applicable law, rule, regulation or lawful order or ruling of any court, government agency or regulatory commission to disclose any Confidential Information, the Receiving Party agrees that it will provide the Disclosing Party with prompt notice of such requirement to enable the Disclosing Party to seek an appropriate protective order or to take steps to protect the confidentiality of such Confidential Information, and in the event such protection is not obtained or the Disclosing Party waives compliance with the provisions of this Agreement, the Receiving Party agrees that it will disclose only that portion of the Confidential Information which it is legally required to disclose.

5. **No Additional Rights.** Unless otherwise agreed in writing, the Receiving Party shall not have any rights or obligations respecting the Confidential Information other than those specifically set forth in this Agreement. Without limiting the generality of any other provision of this Agreement, and unless otherwise agreed in writing: (a) no license is hereby or otherwise granted, directly or indirectly, under any patent, copyright or other proprietary right of the Disclosing Party; and (b) neither Party shall be obligated to disclose Information to the other Party or to enter into any further agreements relating to the Proposed Transaction or any Information. Unless otherwise agreed in writing, a Party and its Affiliates may terminate discussions regarding the Proposed Transaction at any time. The Receiving Party's obligations under this Agreement respecting the Confidential Information shall survive termination of such discussions. The Disclosing Party shall have no right to review, copy or otherwise access the Studies prepared by the Receiving Party.

6. **Disposition of Confidential Information.** The Receiving Party shall, upon written request of the Disclosing Party, either, at the Disclosing Party's election, (a) return to the Disclosing Party all Confidential Information (other than the Studies), including all copies

thereof; or (b) destroy all Confidential Information (including the Studies) and provide the Disclosing Party with written certification thereof.

7. **Injunctive Relief.** Each Party acknowledges and agrees that the unauthorized disclosure of the Confidential Information by the Receiving Party may cause irreparable harm to the Disclosing Party. As a result thereof, in addition to any other remedies available, the Disclosing Party shall be entitled to seek injunctive and other extraordinary relief in a court of competent jurisdiction in order to enforce the Receiving Party's obligations hereunder.

8. **Other Provisions.** The Parties further agree that, unless otherwise agreed in writing: (a) this Agreement shall be governed by the laws of the State of New York; (b) this Agreement sets forth the entire agreement and understanding between the Parties with respect to the subject matter hereof, and none of the terms of this Agreement may be amended or modified except by a written instrument signed by both Parties; (c) a Party may waive any rights under this Agreement only by written waiver duly signed by such Party, and no failure to exercise or delay in exercising a right under this Agreement shall constitute a waiver of such right; (d) the rights and obligations of each Party under this Agreement may not be assigned or delegated, by operation of law or otherwise, without the consent of the other Party, and this Agreement shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns; (e) no provision of this Agreement shall affect, limit or restrict either Party's right to engage in any business in any place and at any time, whatsoever, provided the Receiving Party does not use, reproduce, copy or disclose the Confidential Information in violation of this Agreement; (f) neither Party makes any representations or warranties as to the accuracy or completeness of any Information which it discloses; (g) the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement; (h) all notices under this Agreement must be in writing and shall be deemed to have been delivered to and received by a Party, and will otherwise become effective, on the date of actual delivery thereof (by personal delivery, express delivery service or certified mail) to the Notice Address of such Party set forth below; (i) this Agreement may be executed in counterparts; and (j) signatures exchanged by facsimile are effective for all purposes hereunder to the same extent as original signatures.

Level 3 Communications, LLC, on its own behalf and on behalf of Affiliates KMC Telecom XI, LLC, on its own behalf and on behalf of Affiliates

By: _____
Name: _____

By: _____
Name: _____

Notice Address:
1025 Eldorado Blvd.
Broomfield, Colorado 80021
Attn: General Counsel

Notice Address:
1545 Route 206, Suite 300
Bedminster, NJ 07921
Attn: General Counsel



FAX TRANSMITTAL FORM

Date: March 16, 2004

	TO:	FIRM:	FAX NO.:	CONFIRMATION NO.:
1.	Shalom L. Kohn, Esquire	Sidley Austin Brown & Wood	(312) 853-7036	

From:	Michael B. Schaedle
Phone:	(215) 569-5762
Fax:	(215) 832-5762
Email:	schaedle@blankrome.com
Atty No.:	1721

of Pages:
 (include cover)

Client/Matter #: 116715-01613

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Will Follow:	<input type="checkbox"/>	Call For Pickup:	<input type="checkbox"/>
Will Not Follow:	<input checked="" type="checkbox"/>	Send Interoffice:	<input type="checkbox"/>

COVER MESSAGE:

Form 10K will be included in the Federal Express Package.

CONFIDENTIALITY NOTE:

The documents accompanying this fax transmission contain information, which may be confidential and/or legally privileged, from the law firm of Blank Rome LLP. The information is intended only for the use of the individual or entity named on this transmission sheet. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of this faxed information is strictly prohibited, and that the documents should be returned to this firm immediately. If you have received this in error, please notify us by telephone immediately at the number listed above, collect, so that we may arrange for the return of the original documents to us at no cost to you. The unauthorized disclosure, use, or publication of confidential or privileged information inadvertently transmitted to you may result in criminal and/or civil liability.

TRANSMITTED BY:	DATE SENT:	TIME SENT:	TIME CALLED:
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